DIGEST

HB 880 Original   2026 Regular Session   Jordan

Abstract: Establishes comprehensive standards governing the use of artificial intelligence and algorithmic systems in the domains of insurance underwriting, rating, and claims adjustment. Prohibits unfair discrimination facilitated through algorithmic means and mandates the conduct of disparate impact audits. Requires transparent consumer disclosures and ensures explainability of algorithmic decisions. Authorizes the commissioner of insurance to enact rules and enforce compliance and stipulates civil penalties for violations, along with providing a private right of action for aggrieved parties.

Proposed law enacts the Louisiana Artificial Intelligence Insurance Fairness Act to regulate the use of artificial intelligence and algorithmic decision systems in insurance underwriting, rating, policy issuance, renewal, cancellation, and claims handling.

Proposed law defines key terms including "algorithmic decision system", "disparate impact", "protected class", "proxy variable", "third party model", and "adverse action".

Proposed law applies the Act to all covered insurers using algorithmic systems in personal and commercial lines and provides that insurers remain responsible for compliance when using third party models.

Proposed law prohibits the use of algorithmic systems that intentionally consider protected class characteristics, rely on proxy variables that produce disparate impact without actuarial necessity, or generate arbitrary or capricious decisions. Provides heightened scrutiny for certain presumptive proxy variables.

Proposed law requires insurers to adopt written AI governance policies, designate a senior AI governance officer, and train staff on fair AI use.

Proposed law requires annual disparate impact audits conducted by qualified independent actuaries or data scientists, mandates certification filings with the commissioner, and establishes a public registry of certifications.

Proposed law prohibits specified variables in homeowners insurance underwriting and rating, including credit scores, protected class characteristics, social media data, and consumer purchasing data, and authorizes the commissioner to designate additional prohibited variables.

Proposed law establishes standards for AI assisted claims adjustment, including mandatory human

review, documentation requirements, and prohibitions on algorithmically generated low value settlement offers.

Proposed law requires consumer disclosures when AI is used in insurance decisions, establishes a right to explanation for adverse actions, and provides a right to human review.

Proposed law provides procedures for data accuracy, correction, and reconsideration of adverse actions.

Proposed law authorizes the commissioner to promulgate rules, conduct market conduct examinations, require access to algorithmic systems and data, and publish aggregate findings.

Proposed law requires insurers to file notice before deploying new or materially modified AI systems and authorizes the commissioner to stay or prohibit deployment.

Proposed law establishes civil penalties for violations, creates a private right of action with damages and attorneys' fees, authorizes class actions, and creates the Louisiana Artificial Intelligence Insurance Fairness Fund.

Proposed law creates an AI Insurance Fairness Advisory Board to advise the commissioner.

Proposed law provides that the Act supplements existing anti discrimination laws.

(Adds R.S. 22:1401-1424)